

July 16, 2002

Mayor Jim Naugle
Vice Mayor Cindi Hutchinson
Commissioner Tim Smith
Commissioner Carlton B. Moore
Commissioner Gloria F. Katz

Honorable Mayor and Commissioners:

I present to you the proposed budget for the fiscal year beginning October 1, 2002 in accordance with the City Charter. The all funds budget totals \$349 million, which is 1.5 percent higher than the budget you adopted for the current fiscal year. The General Fund proposed budget is \$207 million, which is 8 percent more than the current General Fund budget. The proposed millage rate for operating and debt purposes is 5.2723, which translates to no increase in the City property tax bill for the average homeowner.

Current Challenges and Commitments

"The price of greatness is responsibility." Winston Churchill made this statement in another era of unique challenges. In the aftermath of the events of the last year, we find ourselves in similar circumstances of being attacked on home soil and dealing with subsequent threats and the public concerns. The City has evaluated its role in this new era of government responsibility and begun preparing for previously unthinkable services in the wake of weapons of mass destruction. Ultimately, the City's most important responsibility is to continue provision of the basic services on which our residents, businesses, and visitors depend: police, fire-rescue, water and sewer, sanitation, street maintenance, and parks & recreation. These services should be delivered for a reasonable price.

The City Commission has set a vision for the future of Fort Lauderdale by adopting ambitious long-range goals including sanitary sewers for all properties, opportunities for all sections of the city to prosper, welcoming some unincorporated neighbors into our community, and up-to-date maintenance of existing facilities. We have begun the implementation of major capital improvement plans including the water and sewer master plan, the five-year plan for the Northwest Progresso Flagler Heights Community Redevelopment Area, and the accelerated capital improvement plan for police, fire-rescue, parks, and transportation services. While this proposed budget is for operating programs, it does include the projections for contributions to these capital efforts from operating funds as well as the human resources to provide for the attainment of these important goals. This proposed budget also includes increased resources for maintenance of an expanded Riverwalk linear park as well as open space acquired through the Broward County land conservation bond program. These proposals also include the resources to provide the new residents from Melrose Park and the

Southwest/Lauderdale Isles/Riverland areas the same excellent level of services delivered to our long-time residents without diminishing services elsewhere.

The events of the last year have impacted the City economically. While the impact was not as severe as originally feared, the City's revenue from State-shared sales tax and interest earnings has dropped significantly. This is the first time in eleven years that the City's revenue from the State's half-cent sales tax has dropped from one year to the next. It has been nine years since earnings from pooled investments dropped. We anticipate only one-third of the interest earnings of last year and do not expect next year's income from interest to reach more than the amount received in FY1996. Additionally, the City's required contribution for general employee pension has jumped 75 percent due to benefit improvements as well as the dismal investment earnings. The City's employee health plan for general, management, and confidential employees is facing a slow recovery from initial implementation problems with the continuing, out-of-sight inflationary costs. The projected three-to-five-year resolution of the health plan shortfall is not overestimated.

The bright spots this year are the strong growth in the tax base and the affirmative vote of surrounding neighborhoods to join our City. The tax base continues the strength of the last few years with a fifteen percent increase from last year, a total of \$16.3 billion in taxable property value. Residents of Melrose Park and Riverland/Southwest will join the City on September 15th.

Covering the Basics

The increases in the proposed budget are limited to Commission priorities set in the past year or legal requirements. These include:

- Provision of Services to Annexed Areas (Melrose Park and Riverland/Southwest)

Additional School Crossing Guards	\$ 113,000
Community Inspections (2.0 Positions)	103,000
Fire-Rescue (18.0 Positions)	1,261,000
Parks and Recreation (5.0 Positions)	208,000
Police (16.0 Positions)	1,038,000
- Conducting the City Elections (1.0 Temporary Position) 168,000
- Full Year's Cost of Office of Professional Standards 90,000
This increase brings the total budget commitment to \$450,000.
- Domestic Preparedness & Emergency Management 530,000
Includes 2.0 New Positions in Fire-Rescue and assumes grant funding for two-year period.
- City Funding of 12 Police Positions Formerly Grant Funded 448,000
- Funding for the Downtown Regional Activity Center Study 100,000
The budget assumes \$100,000 encumbered City funds from FY2002. Additional funding to be sought from the Downtown Development Authority, the Community Redevelopment Agency, and other sources as well.

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| Complete Replacement of Old Mechanical Parking Meters | \$180,000 |
| • Additional Resources for Risk Management
Includes 2.5 Positions (Benefits Manager, Data Analyst, and
Part-Time Claims Adjuster) and Office Equipment. | 168,000 |
| • Continued Commitment to the Police Personally Assigned
Vehicle Program. After an accelerated start this purchase of
18 additional vehicles will continue progress toward the
six-year goal and aid with recruiting. | 100,000 |

Compensation

This proposed budget includes the dollars necessary to fulfill the requirements of the third year of all labor agreements. These include cost-of-living adjustments of 3 percent in October 2002 and 2 percent in April 2003 for employees represented by the International Association of Firefighters, 2.25 percent increases in October and April for police officers, 3 percent increases in October and April for police sergeants, and a 3 percent increase for general employees. A three percent increase in October and a one percent in April 2003 are also included for non-bargaining employees. The union increases have been spread to each department. The management and confidential employee increase is shown in contingencies pending Commission approval. Increases are also included for health coverage including increases in City contributions in compliance with union agreements and a corresponding increase for non-bargaining unit employees. Further discussion of employee health plans is underway with ongoing, employee committees. The budget also reflects the negotiated compensation package for the new City Attorney and a half-year impact of the increase in Commission salary and benefits after the elections.

Resource Adjustments

This budget has been developed to responsibly address the City's goals and obligations while minimizing the overall cost. The millage rate proposed in this budget keeps the City tax bill level for the average homeowner. With the new senior homestead exemption, our needy seniors will actually have a smaller tax bite. The scheduled five percent increase in the Fire Assessment Fee will bring that charge to \$42 annually per residential unit.

No increases are requested for sanitation or stormwater service fees.

A 2.5% increase is proposed for water and sewer customers to offset increases in operating costs and the costs of the Master Plan. The average customer would see an increase of \$1.30 per month. A 7.5% increase in building permits is proposed. The last increase in construction fees were approved in 1997. The proposal would move to recover all costs associated with plans review and inspections while maintaining a competitive fee schedule within the South Florida market.

A sum of \$200,000 has been included in this budget as a target for increased recreation revenues. The percentage of recreation costs covered by user fees has dropped over the last six years. While the Commission has supported the extension of recreational opportunities to all residents without cost being a limitation, such a policy does ultimately impact the general taxpayer who may or may not be a City recreational participant. I would urge the Commission to discuss this issue and establish a policy that sets a target

percentage for general subsidy of recreation programs. Such a policy would have to consider the impact on residents and non-residents who could afford to pay an increase for recreation, residents who could not participate if required to pay, the cost of collection, and the benefits to the community at large of supporting recreational outlets.

Limits

While we all want to maintain a reasonable cost for services delivered, it is not realistic for the City to absorb normal cost increases necessary to provide a consistent and dependable level of service. Not accommodating these increases will eventually catch up with us either as a significant tax increase or service reduction. We have witnessed the impact that such a strategy has had on other jurisdictions. The City has successfully applied reasonable operating cost increases to water and sewer rates.

In developing a budget with no increase in property taxes for the average homeowner, some key budget requests could not be included in this proposal. These include north beach lifeguards (\$930,000), a more ambitious phase of the Police personally-assigned vehicle program (80 vehicles) (\$348,000), parks and recreation master plan (\$350,000), fire boat replacement (\$125,000), and wireless network connections between City facilities (\$130,000). We have been able to reduce the General Fund contribution to the General Capital Program between the current year and next year due to a healthy fund balance. The City received a \$471,000 arbitrage rebate check from the I.R.S during the year. Also, since the borrowing for the enhanced CIP was deferred, the budgeted \$1.5 million for debt service has not been utilized this year. Closing of projects has resulted in some accumulation of funds. Even without a General Fund contribution this year, the enhanced CIP will be able to proceed as planned with even fewer funds borrowed.

Staff will continue to do its part to increase productivity so that the taxpayer gets as much for the tax dollar as possible. In the past year, we have garnered over \$5 million in grants outside of the Community Development Block Grant entitlement program. Conservatively, \$400,000 in employee salaries has been saved by consciously holding some positions open, applying technology, and using volunteers. Improved procedures have saved an estimated \$140,000 in staff time. Separation of refuse at the point of collection as well as at the Transfer Station has yielded over \$2 million in disposal cost avoidance.

We continue to examine ways to better deliver City services. There are a number of organizational changes being contemplated at the present time that would improve our performance. Some of these changes are precipitated by the elimination of one Assistant City Manager position but others are based upon plans for better coordination of related functions and providing for smooth succession of leadership as some key employees retire. I anticipate phasing these changes in over the next budget year. Economic development resources are available in next year's budget to carryout the Commission's direction as the plans are finalized. To heighten our flexibility with these reorganizations, I will also be proposing a pension incentive in the near future to encourage City employees who may find retirement their best option. A minimal amount of savings has been assumed in this proposed budget.

While this proposed budget holds the line on taxes for the average homeowner, each subsequent year will become even more challenging. I urge the Commission and the Budget Advisory Board to work with staff to responsibly plan a long-range financial

strategy that maintains service levels for a reasonable price. We can only attain our great goals by establishing a sustainable funding base.

Conclusion

This budget responsibly addresses the provision of essential services at a reasonable cost, provides for the continuing implementation of priorities identified by our citizens and the City Commission, and moves us steadily forward toward the attainment of the City's long term goals. Unfortunately, it does not have the capability of incorporating many worthwhile and desirable requests because they do not rise to the level of priorities funded in this proposed budget without tax increases. The budget as proposed allows us to make progress toward our goals and maintain existing services reasonably. It moves us toward our vision of 2011, the City's one-hundredth birthday.

The budget will be evaluated by the Budget Advisory Board over the next two months and by taxpayers at two public hearings scheduled for September 4th and 17th. I look forward to this discussion and finalization of our plans for FY 2003.

Sincerely,

F. T. Johnson
City Manager